

A Meeting of the Board of Directors of the Suffolk Regional Off-Track Betting Corporation was held on April 24, 2014 at 10 A.M. at Corporate Headquarters, 5 Davids Drive, Hauppauge, New York.

The following persons were present:

Dominick P. Feeney	Chairman
Herbert Hemendinger	Vice Chairman
Eddie S. Wynn	Secretary
Philip C. Nolan	President
James McManmon	General Counsel
Celine Gazes	Comptroller
Kevin Snover	Counsel to the Board of Directors
Paulette L. Moses	Corresponding Secretary to the Board

Also Present:

Victor Salamone	Chief of Staff
Lorraine Pappas	Deputy Chief of Staff
Kim Edelstein	Director of Wagering Operations and Customer Service
John Luquer	Executive Director Corporate Facilities
Thomas Kilmartin	Budget Director

The Meeting was called to order by Chairman Feeney at 10:00 A.M.

ITEM #1 APPROVAL OF MINUTES OF THE BOARD OF DIRECTORS

MEETING MARCH 27, 2014

Chairman Feeney stated that the first item on the Agenda was to approve the Minutes of the Board of Directors' Meeting of March 27, 2014 whereupon a motion that those minutes be approved was made by Vice Chairman Hemendinger, seconded by Secretary Wynn and carried unanimously.

ITEM #2 AUDITOR'S REPORT

Mr. Robert Quarte and Ms. Anita Zanderzuk of the independent auditing firm Albrecht, Viggiano, Zureck & Co. (AVZ) provided a summary of the 2013 audit of the Corporation. The audit showed that the Corporation produced revenues of \$1,435,360 for the State of New York, \$10,304,282 for the racing industry and \$519,831 for other local governments. Of the net revenue allocated to Suffolk County, \$1,207,759 represented surcharge revenue payable to Suffolk County; \$104,529 represented the net operating loss of the Capital Acquisition Fund, which is used for capital investments, while operating losses (including the amount accrued for postemployment benefits other than pensions) totaled \$4,098,819.

ITEM #3 MARCH HANDLE REPORT

Comptroller Gazes reported the analysis of the March 2014 Handle Report of the month of March was up \$216,669 or 2.4% from March 2013. This increase is due to the fact that Palm Sunday and Easter fell in March 2013, so we had 2 additional days in 2014. Year to date handle for March 2014 was down \$ 1,432,713 or 5.6% from the same period in 2013. March's handle was up as compared to projected handle by \$927,596 or 11.3%, mainly because the Sunrise branch was originally projected to close in early March. Year to date handle through March was down as compared to projected handle by \$ 6,543 or 0.03%.

The total number of Qwik Bet (Franchise) Operations as of March 31st is 30, not including Jon Thomas Inne. Two additional QWIK Betz locations opened in March; Molly's Irish Bar (Brookhaven) opened 3/3/2014, and Savino's (Deer Park) opened 3/10/2014. Double R Sports Bar (Islip Terrace) will be an addition for April – they "soft" opened 4/8/2014,

and their Grand Opening was 4/11/2014. Qwik Bet handle is up \$86,786 or 11.0% for the month of March, in spite of the loss of \$102,071 or 100% at Jon Thomas Inne as a result of a fire related closure on December 14, 2013 and a decrease of \$149,518 or 72.2% at Jimmy's Pub as a result of the death of one large bettor named Jim Booth in November 2013. Jon Thomas Inne is in the process of rebuilding their location and we anticipate continued wagering in the near future. QWIK Betz handle is down \$64,034 or 2.8% year to date, primarily due to the loss of Jon Thomas Inne , they did \$302,263 for the same period in 2013 and a decrease of \$397,884 or 74.5% at Jimmy's Pub.

The Internet wagering is up \$199,692 or 29.8% for the month of March. Year to date Internet wagering is up \$385,728 or 20.3%. Telephone account wagering is up \$45,891 or 6.3% for the month of March. Account wagering is down \$186,418 or 8.4% year to date. The Racing Forum's handle is up \$79,787 or 3.2% for the month of March.

The Racing Forum's handle is down \$252,692 or 3.7% year to date. The six regular branch locations' total handle is down \$195,487 or 4.6% for the month of March, with Sunrise having the largest dollar decrease (\$107,760 or 10.4%), and Shirley having the largest percent decrease (\$84,182 or 14.6%). Route 110 was up \$57,116 or 14.7% and Airport was also slightly up \$17,868, or 2.1%. The six regular branch locations' total handle is down approximately \$1.35 million or 11.2% year to date, with Sunrise having the largest dollar decrease of \$332,486 or 11.5%, and Commack having the largest percent decrease of \$331,152 or 20.7%. QWIK Betz handle increased from 8.9% of total handle for March 2013 to 9.6% for March 2014. Internet wagering increased from 7.5% of total handle for March 2013 to 9.6% for March 2014.

Telephone Wagering increased from 8.2% of total handle for March 2013 to 8.5% for March 2014. Racing Forum handle increased from 27.7% of total handle for March 2013 to 27.9% for March 2014. Regular branch handle decreased from 47.6% of total handle for March 2013 to 44.3% for March 2014. Year to date, QWIK Betz handle increased from 9.0% of total handle in 2013 to 9.4% in 2014. Year to date, Internet wagering increased from 7.5% of total handle in 2013 to 9.5% in 2014. Year to date Telephone Wagering decreased from 8.7% of total handle in 2013 to 8.5% in 2014. The year to date Racing Forum increased from 27.2% of total handle in 2013 to 27.8% in 2014 and the year to date Regular branch decreased from 47.6% of total handle in 2013 to 44.8% in 2014.

The averages for the total rows are being computed differently now. They are now computed as average handle per day for the category over the whole month. Aqueduct handle was up \$351,532 or 13.7%, with 5 more race days (18 vs 23). However, the average handle per day decreased from \$142,988 in March 2013 to \$127,188 in March 2014. In-state harness handle was up \$60,772 or 12.9%. Buffalo's March handle was up \$11,151 or 52.2% with 2 additional race days, 16 vs. 14 and the average per day handle also increased, from \$1,527 in March 2013 to \$2,033 in March 2014, an increase of \$506 or 33.1%. Monticello's handle was down \$31,882 or 18.4%, with the same number of race days at 17. Saratoga Harness handle increased \$19,044 or 39.3% with the same number of race days (16). Their daily average increased from \$3,027 in March 2013 to \$4,217 in March 2014. Yonkers handle was up \$62,459 or 27.4%, with 1 additional race day, 22 vs. 21 and the average per day handle increased from \$10,847 in 2013 to \$13,193 in 2014; an increase of \$2,346 per day or 21.6%. Although total out of state thoroughbred handle was down \$82,211 or 1.7%, several tracks did have increases, most notably Calder, who did \$141,039 and didn't

run last March. The largest dollar decrease \$128,050 or 7.8% was at Gulfstream, despite one additional race day. Their daily average decreased 12.0%, from \$78,283 in March 2013 to \$68,905 in March 2014. The largest percentage decrease of 23.9% was at Fairgrounds, again in spite of one additional race day. Out of state harness handle was down \$113,424 or 11.9%. Harrah's Philadelphia (Chester Downs) had by far the largest decrease, at \$47,772 or 89.5%, due to only running 2 days in March 2014 vs. 12 in March 2013. Their daily average also decreased 37.3%. Balmoral also had a large decrease, \$26,823 or 63.8%, with 6 race days in March 2014 vs. 12 last year.

Statewide OTB Handle decreased \$2.3 million or 4.0% for the month. Although Suffolk OTB had a small increase, the other 4 OTB regions all reported decreases for the month of March 2014 vs. 2013, ranging from 7.4% for Catskill Region to 2.49% for Western Region. So we did very well comparatively. Overall statewide year to date OTB handle decreased \$15.1 million or 9.4%. Year to Date handle through March decreased in every region, from a low of 5.6% for Suffolk to a high of 15.8% for Catskill Region. Our results are also comparatively the best year to date, since we have the smallest % decrease year to date.

As of Tuesday, April 22nd handle is down \$1,168,694 or 17.6% from last year, partially due to Palm Sunday and Easter falling in April this year, vs. March last year. Two April Sundays equates to approximately \$700,000 in handle.

ITEM #4 ANNUAL OPERATING BUDGET 2014

Thomas Kilmartin, Budget Director, presented the proposed 2014 Operating Budget to the Board. Mr. Kilmartin reminded the Board that the budget has been prepared during very challenging economic times, where a national and regional downturn continues to negatively impact our customer's disposable income. Our administrative team has taken proactive actions again this year to manage SROTB's budget through the bankruptcy process and development of Video Lottery Terminal operations, by reducing expenditures to match reduced revenue forecasts. Managing this budget is an ongoing process that takes place on a daily basis, as adjustments must be made to respond to changing economic situations.

Mr. Kilmartin reported to the Board many of the organization's accomplishments of 2013, primarily that we held administrative and operations expenses to below projected budget. We were able to develop with the Suffolk County, the Video Lottery Terminal (VLT) request of proposal, by reviewing applicants and selecting Delaware North Companies to develop and manage the proposed 1,000 VLT operation. We opened seven QWIKbetz franchise locations in 2013. Suffolk OTB continues to navigate the complex bankruptcy plan, projecting to exit in 2014, with stable financial plan that provides for the timely repayment of all creditors 100 percent.

Mr. Kilmartin reviewed our goal of 2014 to the Board starting with our plan to continue to hold and reduce administrative and operations expenses. We plan to submit a financial plan to U.S. Bankruptcy Court which details the repayment of creditors 100 percent and establish a stable financial plan for continued success. Enter an administrative agreement with Delaware North Companies to select an appropriate sight location and commence

construction. We plan to expand our operations to open ten new QWIK betz franchise locations to represent 12% of the projected handle. We plan to expand the Internet Wagering platform to represent 10% of projected handle. We continue to liquidate property and leverage remaining equity to maintain sufficient cash flow to maintain remaining operations, through to opening of the new VLT operations.

President Nolan added that we are very optimistic about our future as we plan to exit bankruptcy and move forward in the development of our new business plan which includes the VLT operations. Continues responsible financial management today will ensure for a strong and fiscally stable SROTB tomorrow.

Vice Chairman Hemendinger made a motion to authorize submission of a draft of the Proposed Operation Budget to the New York State Gaming Commission. The motion was seconded by Secretary Wynn and carried unanimously.

ITEM#5 PRESIDENT'S REPORT

President Nolan thanked Mr. Kilmartin for his hard work and appreciates his thorough report on the 2014 Operating Budget. President Nolan reported to the Board that Debbie Pfeiffer, Director of Public and Government Affairs, left SROTB and is now at the Suffolk County Water Authority. He stated that he was grateful for all her hard work and commitment to the organization and we all wish her success in her new endeavor. President Nolan explained that her duties have been reassigned to Lorraine Pappas and DJ Pearsall. Mr. Pearsall is a talented and smart employee with a degree in English Literature from Albany University.

A motion was made by Vice-Chairman Hemendinger to acknowledge for the record Debbie Pfeiffer's service to the organization as an outstanding employee and that she was greatly appreciated for all her diligent work and that she was a true credit to the company. The motion was seconded by Secretary Wynn and carried unanimously.

President Nolan asked that the Board consider going into Executive Session. A motion was made by Vice Chairman Hemendinger that the Board go into Executive Session. The motion was seconded by Secretary Wynn and carried unanimously.

Upon reconvening in Open Session, Counsel McManmon stated that during Executive Session certain personnel and litigation matters were discussed. No motions were made and no votes were taken.

Counsel McManmon recommended to the Board, upon the request of the President and Vice President of SROTB, approval of a Resolution for the possible issuance of municipal bonds. The Resolution proposed at this time is one of the conditions precedents and required by the federal government for such bonds to be tax free.

A motion was made by Vice Chairman Hemendinger that the Board approve the Resolution. The motion was seconded by Secretary Wynn and carried unanimously.

Chairman Feeney noted that the next meeting of the Board of Directors will be held Thursday May 22, 2014 at 10 am.

There being no further business before the Board, a motion was made by Vice-Chairman Hemendinger that the meeting be adjourned. The motion was seconded by Secretary Wynn and carried unanimously.

Eddie S. Wynn, Secretary

RESOLUTION

After a motion having been made, seconded and unanimously carried, it is

RESOLVED, to approve the Proposed Operating Budget as presented be submitted to the State for review.

CERTIFICATE OF SECRETARY

EDDIE S. WYNN, being the Secretary of Suffolk Regional Off-Track Betting Corporation, does hereby certify that said Resolution has duly passed at a meeting of the Board of Directors of Suffolk Regional Off-Track Betting Corporation held at Hauppauge, New York 11788 on the 24th day of April 2014.

Eddie S. Wynn, Secretary

RESOLUTION

After a motion having been made, seconded and unanimously carried, it is

RESOLVED, that the Annual Operating Budget is hereby adopted for the year 2014.

CERTIFICATE OF SECRETARY

EDDIE S. WYNN, being the Secretary of Suffolk Regional Off-Track Betting Corporation, does hereby certify that said Resolution has duly passed at a meeting of the Board of Directors of Suffolk Regional Off-Track Betting Corporation held at Hauppauge, New York 11788 on the 29th day of May 2014.

Eddie S. Wynn, Secretary